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26 June 1957

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Proposed Legislation to Establish a Federal Employees' Health Insurance Program and to Authorize Mechanical Payroll Deductions.

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1. The attached memorandum dated 6 May 1957 from [REDACTED] H. R. 7034, a bill to establish a Federal employees' health insurance program and the excerpt from the 18 April 1957 Congressional Record have been reviewed.

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2. A bill similar to that introduced by Mr. Holifield (H.R. 7034) was introduced in the Senate by Mr. Johnson of South Carolina (S. 2339). As of this date, the House and Senate Committees on Post Office and Civil Service have not scheduled the bills for Committee action. The passage of either bill in this session of Congress is unlikely. Since the bills will probably be considered early in the second session of Congress, Agency comments on the two bills should be obtained.

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3. I agree with Mr. [REDACTED] that the Agency would realize great savings by the collection of hospitalization, medical and life insurance premiums by mechanical payroll deductions, rather than by the individual collection method now used. In addition, collection of funds for credit union payments could also be accomplished more economically by machine methods.

4. The Federal Bureau of Investigation advised the Comptroller General that their payroll operation is completely mechanized and that time and expense could be saved if premiums for medical and hospital insurance could be collected by mechanical payroll deductions. In May 1956, the Comptroller General ruled in Decision B-127426 to the Attorney General that the collection of these premiums by mechanized payroll deductions from Federal employees' compensation is not authorized under existing law. Existing laws that prohibit withholding are:

Section 3477 of the Revised Statutes, 31 USC 203

Prohibits the assignment of claims.

Section 3620 of the Revised Statutes, 31 USC 492

Requires public monies to be drawn only in favor of the persons to whom payment is made.

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Section 3678 of the Revised Statutes, 31 USC 628

Requires appropriations to be used only for the objectives for which they are made.

Comptroller General's Decision Vol. 32, Page 572

Sets forth a general policy against making the Government a collection agency for private organizations.

5. Should such legislation become a reality, it should be realized that a terrific workload would be placed upon the two payroll offices and would probably require extra manpower, due to the increased number of payroll changes required during each pay period. Such an arrangement would also increase the number of overpayments and under payments.

6. Consideration should also be given to Credit Union payroll deductions.



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E. R. SAUNDERS
Comptroller

Attachments

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